

phony charities scams for all seasons

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Ontario

Ministry of
Consumer and
Commercial
Relations

Would you buy a \$2 chocolate bar from a child at your door or in a shopping plaza to help support a school project? The answer is probably yes. If you knew that half of that \$2 was destined for a promoter's pocket you might change your mind.

Although their numbers appear to be in decline, phoney charities, unethical fundraisers and backroom promoters are still very much a fact of life in Ontario. The watchword is caution.



Avoiding the phoneyes

There are 47,000 charitable organizations registered with the federal government for tax purposes, one for every 530 Canadians.

Most charitable organizations and fund-raising groups are, of course, legitimate. Without their efforts, the truly needy would suffer.

A small number of fund-raisers do not represent charitable organizations at all. They are, in fact, in the business of making profits, under the guise of doing good or benefiting society.

At a time when legitimate fund-raising organizations are having difficulty meeting their goals, it is even more important that consumers ensure their charitable contributions are not wasted on some fraudulent scheme.

Types of phoney scams and schemes

Unethical fund-raising runs the gamut from telephone solicitations for circus tickets to the sale of lightbulbs or garbage bags door-to-door by someone claiming to represent a charitable organization.

Chocolate bars: School children selling chocolate bars door-to-door or in shopping malls is a recent entry into the phoney fund-raising marketplace.

Although most chocolate bars sold in this manner is on behalf of legitimate fund-raisers, some of it is sold to benefit the backroom operator masquerading under the mantle of charity. Common causes cited by these chocolate promoters are support for school projects or school team travelling expenses.

These operators recruit school children as commissioned salespersons, often without the knowledge or consent of school officials. The students are well-coached and instructed not to use the word “charity” in a sales pitch.

The chocolate may come in a special wrapper indicating that the sale of the bar will help provide a community service or benefit a charity. The service or charity, however, is never specifically named.

Chocolate sold by these phoney operators usually sells for \$2 and nets the promoter \$1 per bar. A choco-

late bar of similar quality sells for about \$1 at a corner store—its cost to produce is somewhere between 60 and 85 cents. The seller receives anywhere from 15 to 40 cents for each chocolate bar sold.

Phoney chocolate bar promoters are able to succeed because they so cleverly imitate techniques used by legitimate charites; the unwitting consumer does not take the time or effort necessary to check their authenticity.

Telephone solicitations: Requests for donations or the sale of tickets to a “charitable” event are regularly made by telephone. Often the callers are teenagers employed by the promoter at a low, hourly rate or crews of fast-talking sales professionals working on commission. Well-rehearsed, sometimes heart-wrenching pitches are aimed directly at you. The callers make you want to do something worthwhile for someone less fortunate—and usually it works. These operations are known as “boiler rooms”.

Large amounts of money are known to have been raised in this way by promoters saying they represent non-profit charitable organizations. One promoter, using 17 telephone solicitors, raised an estimated \$655,000 in a year, of which only about 10 per cent went to charity.

If you ever buy a ticket or make a donation in response to a telephone solicitation, you should expect more calls of this type. Your name and the amount given may be recorded on a “tap card.” These cards could be sold to other organizations which also solicit by telephone.

Merchandise for sale

Products being peddled door-to-door, in shopping centres or on street corners in the name of charity include everything from soap to crates of grapefruit.

Many authentic charitable organizations sell similar products—hence the difficulty sorting out the profit-takers from the non-profit volunteers.

Phoney organizations selling household items such as lightbulbs and garbage bags say, or infer, that proceeds will benefit a charity. However, only a small portion of the selling price, if any at all, may go to charity. Usually these products are obviously sub-standard and overpriced. But you will not likely complain if you believe it is for a worthy cause.

When claims are false

It is sometimes difficult sorting out the “bad guys” from the “good guys,” but there are ways to deal with unethical fundraisers. The Ontario Ministry of Consumer and Commercial Relations may issue a cease-and-desist order or prosecute under the Business Practices Act if it has reasonable grounds to believe a company is making false or misleading representations.

Criminal fraud charges may also be laid against unscrupulous promoters.

Guidelines for donations

Erring on the side of caution is probably the best defence against unethical fund-raisers. Follow these simple guidelines:

- Know who you are dealing with. Give only to established charities or groups with which you are familiar.
- Ask questions. Exactly how much money is the group attempting to raise? What percentage will actually go to charity? How much is earmarked for administrative costs?
- Get the name, address and telephone number of the canvasser and promoter. Check them out if you're suspicious.
- Remember that a federal income tax registration number is no guarantee that the organization is legitimate.
- Parents and teachers should establish that any so-called charity for which children are working is legitimate.
- The name of the organization may only sound proper. Check the authenticity and reputation of any charity or fund-raiser which is unknown to you. Files on most of these groups are maintained by the Better Business Bureau. The local Chamber of Commerce is also a good source of information.
- If you are unsure about an organization, request an audited financial statement for the previous year.
- Be suspicious of a fund-raiser who admits operating costs take a large portion of proceeds being raised.
- School organizations, community groups and service clubs should be wary of lending their name to a fund-raising drive. Do not allow your group's name to be used by a promoter without having full accountability of the funds collected and control over the sale of all tickets.
- Remember that the use of a well respected group's name on a fund-raising drive is no assurance that it is legitimate. These groups have often been misled by promoters. Don't fall into the same trap.

When dealing with “boiler rooms”

Because few legitimate charities solicit donations by telephone, extra caution is called for in dealing with this situation. If you suspect that you have been contacted by a “boiler room” operation, never agree to give money. Instead try the following:

- Ask the telephone solicitor to put the request in writing. Say that you would like a little time to consider the request. “Boiler room” operators do not keep records, of course, and will be in a big hurry to pick up your donation.
- Establish how the organization obtained your phone number, if possible. In many of these operations, telephone numbers are dialed at random on many exchanges. The caller may have no idea of your name or address. If asked for this information you can assume this is probably how the caller is operating.
- Ask how your name was obtained. It may have been received via the “tap card” system from another promoter.
- Don’t be shy about asking for details. If the organization is legitimate, the caller will take the time to explain the objectives of the group and will answer all of your questions.
- Remember that as a rule legitimate fund-raisers are not in a big hurry.

Complaints about questionable fund-raisers can be made to the Ministry of Consumer and Commercial Relations. Contact the Ministry’s Consumer Services Bureau nearest you.

Consumer Services Bureaus

250 Windsor Ave.
6th Floor
Windsor, Ontario
N9A 6V9
(519) 254-6413

P.O. Box 2112
119 King Street West
5th Floor
Hamilton, Ontario
L8N 3Z9
(416) 521-7554

139 George St. North
Peterborough, Ontario
K9J 3G6
(705) 743-8728

199 Larch Street
5th Floor
Sudbury, Ontario
P3E 5P9
(705) 675-4378

P.O. Box 5000
435 James Street South
Thunder Bay, Ontario
P7C 5G6
(807) 475-1641
(807) 475-1600

Box 5600, Terminal 'A'
80 Dundas Street
London, Ontario
N6A 2P3
(519) 679-7150

555 Yonge Street
Toronto, Ontario
M7A 2H6
(416) 963-0321

10 Rideau St.
2nd Floor
Ottawa, Ontario
K1N 8X5
(613) 566-3878

Be an informed consumer

The consumer ministry has published a number of other booklets covering a range of consumer topics.

Copies of these publications may be picked up in person at the Consumer Information Centre, 555 Yonge St., Toronto (Telephone 416/963-1111; toll free 1-800-268-1142, TTY/TDD 416-963-0808) or from Consumer Services Bureaus.

For direct mail requests, complete the following form, and mail to:

Consumer Information Centre
Ontario Ministry of Consumer and
Commercial Relations
555 Yonge Street
Toronto, Ont. M7A 2H6

Name: _____

Address: _____
(street & no.) (apt.)

(city)

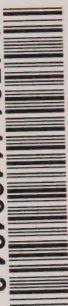
(prov.)

(postal code)

We'd like to hear from you.

The consumer ministry welcomes any comments and suggestions on its information materials, programs and customer services. In this way we can best respond to your needs in the marketplace.

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